

ADDRESS OF SENATOR STRON THURMOND BEFORE THE KIWANIS CLUB AT THE
CLEVELAND HOTEL, SPARTANBURG, SOUTH CAROLINA, OCTOBER 9, 1958,
AT 1:00 P.M.

Mr. President, Distinguished Guests, and Friends:

It is a privilege for me to speak to your Club which is rendering this community outstanding service in many ways. It is always a pleasure for me to come to Spartanburg, a progressive and beautiful city located in the Piedmont Section of South Carolina, which is the heart of the textile industry in the United States.

During the past ten to twelve years, our State has grown by leaps and bounds. I recall that during the four years I was Governor, the statistics show that South Carolina gained more industry in proportion to its size than any State in the nation. I am pleased that we are continuing to grow, and am delighted to see the new industries that have sprung up within the past few years in this fine county.

Here in South Carolina is found the most refreshing atmosphere for industrial operations in the world. Manufacturers have learned that it is more economical to build their plants in areas where people like to work, where raw materials are plentiful, and where nearby markets are expanding almost at revolutionary speed. Mild climate and cheap, adequate sources of power are also most important.

All of these elements so attractive to industry are found right here in our State. One could go on at length, and name many more, such as excellent transportation, reasonable taxes, but all of this we know. South Carolina has industry, wants more, and proves this by its action and spirit of cooperation.

The State of South Carolina, as you know, has recently enacted a new tax law for industries which is believed to be one of the most forward-looking pieces of legislation of its kind in any of the 48 States.

These inducements, together with sound, stable government and a plentiful supply of capable and energetic people who are willing to work, make our State very attractive to industry.

Truly, we are witnessing, in the South, an almost explosive growth in industrial development.

This is in marked contrast with the labelling of the South in 1937 by the late President Franklin D. Roosevelt as the "Nation's No. 1 Economic Problem." Were he alive today, Mr. Roosevelt would have to reverse that statement. He would be forced to look not south from Washington, but north, to find the Nation's No. 1 economic problem. The South today is, truly, the land of opportunity.

Since 1937, the South has not only learned much, but it has done much. Significantly, much of the impetus for this growth is coming from within the South. A leading New York banker has noted that the South is relying increasingly less on outside capital for its growth needs. "While banks in the Nation as a whole are decreasing," he pointed out, "the South is organizing more banks."

One of the major characteristics of the South as a whole, and South Carolina in particular, in this period of great expansion, is its abiding confidence in the future of the free enterprise system. Our State governments are in the forefront in building a climate in which private enterprise can develop with a minimum of interference.

We in the South know that new industries generate new jobs, and that the increased buying income in the hands of our people is a foundation for a more prosperous economy than can be built by any socialistic welfare State.

These vast changes in the South, with the blossoming of a great economy in which agriculture is being balanced with industry, have been characteristic of the post-war years. The South, once an undeveloped region within the United States, has now come into its own.

During this same post-war period, there has been a great change in the industrial complexion of the entire world, with some results that are less agreeable than those occurring in the South. New industries are being built in foreign lands, many of them with the active help and encouragement of the United States government. Naturally enough, many of these industries are fixing hopeful eyes on the rich and ever-expanding markets in the United States. Some of them are finding a large place in that market, so much so that they are forcing vital segments of the American economy to the wall.

This is particularly true in the textile industry where the cost of labor constitutes a large share of the cost of production. The average American production worker earns \$2.07 per hour, and we are proud of this high wage standard. For the same money, however, a French employee will work $5\frac{1}{2}$ hours, an Italian worker 6 hours, and a Japanese employee will put in a 9-hour day.

In other words, we are placing our domestic industries in peril so that we can promote near slave labor in foreign countries.

Not only am I against slave labor, but I also reject the unsound economic theory that a Nation's economy can be promoted by encouraging slave labor.

Another factor which gives a competitive edge to foreign textile manufacturers is the differential of approximately eight cents between the price they have to pay for cotton and the higher price our textile manufacturers have to pay in this country.

We have encouraged these foreign competitors in two ways.

First, we have recklessly and indiscriminately shipped money overseas in a misguided attempt to build up the strength of foreign nations. We have spent \$70 billion, or one-fourth of our national debt, for foreign aid and similar "give-away" programs since World War II. Paying the interest on our huge debt costs the American taxpayers \$7 billion a year -- about one-tenth of the total Federal budget.

Even if we devoted all of our Nation's resources to a great humanitarian effort to improve the living standard of the rest of the world, we could hardly make a dent in the impossible task of abolishing poverty. In the attempt, we would succeed only in impoverishing ourselves.

I have often wondered -- and I know that many of you have done the same -- how any thinking person can arrive at the irrational conclusion that we can increase the strength of America by pouring the tax money of this country into an effort to breathe new vigor into overseas economies.

I have searched my mind to try to understand the rationale

for this kind of thinking. It stems, I believe, from one central fallacy. The great error in our trade and aid policy is that we have proceeded on the assumption that military alliances are built on economic alliances. Stated another way, we have assumed that nations which have progressed economically because of American help will be strongly inclined to join us in the event of war.

The lesson of history does not bear out this assumption. Military alliances are made for military purposes, and each nation uses its military power in the way it decides is best for its own self-preservation. In arriving at these military conclusions, the status of civilian trade is only one of many factors which must be taken into account. Thus we find the various NATO nations taking varying positions on the establishment of missile bases within their borders, depending on the amount of risk involved. The Scandinavian countries, being close to the Soviet Union, have been extremely reluctant to make missile sites available, because they feel the risk may outweigh the advantages. Trade is a small consideration in such a decision.

We have assumed otherwise.

Our foreign aiders have poured millions of dollars into setting up textile and other industries in foreign countries without regard to the effect that low-wage competition can have on domestic employment. At the same time, they have given our tax dollars to foreign countries to enable them to purchase textile products from our foreign competitors. In 1957, these foreign nations used only 7.5 per cent of the textile procurement funds supplied by the United States to buy our own products. The bulk of the textiles, in the

amount of \$89 million, was bought from Japan and other foreign competitors.

In our reckless generosity with global trade-and-aid programs, we have given millions of dollars in assistance to socialistic countries, to the so-called "neutralist" nations, and to countries dominated by Communists, without the least assurance that this aid will not be used against us in the event of war. By a margin of one vote we were able to strike from the 1958 foreign aid bill a provision which would have authorized the President to provide assistance to all Communist countries except Russia, Red China, and North Korea. To me, this proposal was one of the most absurd that I have ever encountered in the Senate. No one can convince me that we can fight Communism by nourishing Communist nations.

The second way in which we have encouraged foreign competitors of American industry is through progressively lowering our tariffs on a broad scale to make the American markets more inviting to foreign producers.

By establishing competitors for vital segments of American business overseas, we have weakened our own industrial mobilization base. We will be greatly handicapped, in the event of war, if our domestic industries are not at full strength.

This is well illustrated by the textile industry. From the standpoint of national defense, textiles rank second only to steel, and give employment to more than one million people. Yet the policies followed by our government have closed hundreds of textile mills and placed the balance of the textile mills in serious jeopardy.

Since the end of World War II, 717 mills have closed, destroying 345,000 jobs of American citizens. During the last 10 years, there has been a decline of more than 2 1/3 million textile spindles. During the year 1957, textile employment was down 6.2 per cent from the previous year, while employment in other industries was down only 3.6 per cent. During the year 1957, earnings in industry as a whole amounted to 4.8 per cent of total sales, while in the textile industry earnings were only 1.9 per cent. Since 1947, the United States has lost 2/3 of its textile exports. These figures are startling, but they are understandable when we are informed that cotton textile imports since 1947 have increased 1000 per cent, and wool textile imports have increased 800 per cent.

The textile industry is the largest industry in South Carolina. It is the backbone of the industrial economy of this State. Seventy-five per cent of all industrial jobs in South Carolina are in textiles, and this industry brings in 78 per cent of industrial payrolls.

Since 1951 textile employment in South Carolina is down 12,000 jobs. During the past five years, 1953 to 1958, 16 textile mills have closed in South Carolina, resulting in the permanent loss of jobs to 3760 employees. I have an itemized list of these mills with me today, and note that they were located in Rock Hill, Gaffney, Spartanburg, Greenville, Blacksburg, Cowpens, Bennettsville, Darlington, Anderson, Pacolet, Seneca, Leesville, and York. It is interesting to observe that three of these mills closed during the year 1957 and four during the year 1958. The four that closed

during the year 1958 employed 650 people. The largest of these four mills that liquidated was Victoria Mills at Rock Hill, and it employed 300. The owner of this mill told me in Washington several months ago that the Japanese were manufacturing gingham and sending them over here and selling them cheaper than he could manufacture them.

Our textile mills are our cotton farmers' best customers. It is noteworthy to observe that from March 1957 to March 1958 there was a 9805-bale reduction in cotton consumed in South Carolina for textile purposes.

It can be readily seen that the foreign aid and trade policies of our government, which are bringing about the closing of such a large number of our textile plants and the loss of thousands of jobs to our people, and the decrease in the consumption of cotton, which is hurting our farmers, is nothing less than disastrous, and is ~~asinine~~ **asinine**. During the past session of the Congress, a special subcommittee of the Interstate and Foreign Commerce Committee of the United States Senate was established to study the problems of the textile industry. I feel honored to be a member of this subcommittee, and happen to be the only southern senator on the committee. We have held hearings of this committee in several New England States and additional meetings of the committee will be held in New York and Washington during the month of November. It appears that the government feels that the textile industry in this country is expendable, so I hope that our subcommittee will come up with recommendations that will prevent further closing of our textile mills

and restore this essential industry to a healthy condition.

Among the more important steps that must be taken to assist the textile industry, paramount is the problem of our economic relations with foreign governments.

First, as I have indicated, we should ~~shun~~ every program which attempts to use trade concessions and gifts to foreign governments as diplomatic bargaining tools. The paying of tribute in an attempt to buy protection is both immoral and ineffective.

Second, while we all wish to foster world trade, we must adjust our own tariff rates to provide adequate safeguards for our own industries at home. We should not commit ourselves to a policy of fixing tariff rates through the medium of international agencies, as we did when we proposed the General Agreement on Tariffs and Trade. The United States has only one vote in this 37-member body, but policies set by a majority vote of the organization become, for all practical purposes, morally binding on the United States government. Our obligation will be even more binding if we make the error of joining the Organization for Trade Cooperation.

In attempting to regulate world trade, GATT adopts such a broad view of its function that it even takes cognizance of purely domestic affairs when, in GATT's opinion, they have a bearing on world trade. In following this policy, this international organization has been openly critical of the American farm price support program, claiming it tends to increase production and affect world trade.

By modelling our trade policy on principles laid down by GATT, we are permitting foreign governments to lay down the basic framework

on which our trade policy is built.

Every day I gain more respect for the wisdom of the Framers of our Constitution. They had no difficulty in seeing the difference between a treaty and a trade agreement. Article I, Section 8, of the Constitution, specifically delegates to Congress the power to "regulate commerce with foreign nations." Article II, Section 2, gives to the President the power to make treaties, with the advice and consent of the Senate.

The Trade Agreements Act, passed in 1934, was an emergency act to stimulate our export trade in a period of world depressions. It is not consistent with our Constitution. The drafters of our Constitution recognized that the power to regulate tariffs should be held by Congress, since this is the branch of the Federal government which best represents the many different attitudes, interests and shades of opinion prevalent in the 48 States (and soon to be 49, much to my regret) and the 435 Congressional Districts.

Therefore, I propose as Point Three of my trade policy the return to Congress of its proper powers to regulate foreign commerce. Since 1951, when the escape clause was inserted in our Trade Agreements Act, the Tariff Commission has found a necessity for the relief of domestic industry in 25 cases. It has also reported to the President five other cases, in which the Commission was evenly divided. Of these 30 cases, the President declined to implement the action of the Tariff Commission in 20 cases and allowed the Commission's action to stand in only 10. Thus, in two-thirds of the cases, the President rejected the plea for relief.

During the past session of Congress, I introduced an amendment to the Reciprocal Trade Bill to require the President to win the approval of a majority of both Houses of Congress before he could deny implementation of Tariff Commission acts, under the "escape clause" provision. I appeared before the Senate Finance Committee in support of this amendment. Senator Kerr of Oklahoma made a motion to adopt my amendment, with a slight revision. The Finance Committee adopted the amendment, but when the bill reached the Senate Floor the amendment was defeated by a close vote.

Another amendment introduced by me would have limited the extension of the Reciprocal Trade Program from five to two years. The Senate Finance Committee and the Senate agreed on a three-year extension, but the Conference Committee compromised on a four-year extension. The bill enacted authorized the President to reduce tariffs a total of 20 per cent below present levels in not more than four annual stages. Personally, I would like to have completely removed the President's authority with respect to Tariff Commission findings but, being a realist, I knew this would be impossible. The bill as passed modifies the escape clause procedure, by providing that presidential non-acquiescence in Tariff Commission findings can be overruled by a two-thirds vote of both Houses of Congress. In my opinion it would be almost impossible to obtain a two-thirds vote in both Houses, so the effect of this provision is mere window dressing.

The fourth point I will mention, in outlining this broad trade policy, is perhaps the most important of all. We must be prepared

to compete with foreign producers for our share of the world market.

We cannot reduce our labor costs to compete with foreign producers. We do not want to. We must continue to strive to maintain the American standard of living as the highest in the world.

This, we must realize, poses a stern challenge to American industry. We have been able to maintain high wages, in the past, because greater efficiency in American industry resulted in higher productivity. Now, the productivity gap is narrowing. Foreign competitors are becoming more efficient, whether the efficiency be measured by price per unit produced or by the quality of the product.

It is imperative for every producer to make his operation as efficient as he can, in order to maintain a place in the world market. This means that there can be no room for bad management-labor relations, featherbedding, racketeering, or misuse of the privilege held by union leaders of collecting and spending dues of our working people.

No piece of legislation is more badly needed than a labor reform bill. The Senate took action in this field at the past session of Congress, but the House did not act favorably on the bill. The Senate bill was not as effective as it should have been, but it did contain some badly needed provisions.

The bill fell short of meeting the recommendations of the McClellan Select Committee on Labor-Management Relations in several respects. I offered amendments, and vigorously supported others, to

overcome these shortcomings, but the opposition prevailed.

For instance, there was no control or regulation of union funds in the bill, ~~which was a~~ This, in my opinion, was one of its major inadequacies. As I pointed out in the debate, union funds are used predominately for purposes other than collective bargaining. These fund uses, in many instance, are in direct conflict with the desires of the union members. As one example, I pointed out that labor unions contribute approximately one-third of the budget for the American for Democratic Action, whose socialistic programs are inconsistent with the beliefs of an overwhelming majority of the citizens of our country.

Another organization to which the labor unions contribute substantially is the National Association for the Advancement of Colored People. I will never be convinced that these contributions are consistent with the desires of Southern union members.

The bill, while providing for the secret ballot election of officers, failed to give union members a direct voice by secret ballot on such important issues as the terms of the collective bargaining agreement, the question of whether or not to strike, and the provisions of their constitution and by-laws, including the amount of dues and initiation fees. The amendments which would have provided these prerogatives were ~~also~~ defeated.

Other badly needed amendments which I supported, but which were defeated, were prohibitions against secondary boycotts and organizational picketing.

It is my hope that at the next session of Congress a bill can be passed embodying all of these badly needed reforms.

In addition to the need for better labor legislation to improve our competitive ability, it is imperative that the government give industry a chance to expand and keep pace with new developments in technology, by maintaining a sound tax policy, by offering opportunities to the small businessman, by refraining from imposing unnecessary and costly regulations, and by staying out of business where private enterprise is willing to do the job, except where government action is vital to the national defense.

There are those who say that we cannot make the grade in competition with foreign producers. They maintain that we must adopt a socialistic form of production, in which the government takes away the earnings of industry, in the form of taxes, and redistributes these earnings for whatever purposes might seem best to the Administration in power.

I, for one, am steadfastly opposed to this abandonment of the free enterprise system.

Such a program is not American, and it is not efficient.

I have faith in our ability to maintain our position in the world, and I have faith in our ability to do it in an American way. That is why I have vigorously opposed passage of a number of socialistic schemes designed to place the government further into business and deeper into debt.

We can remain strong, if we will stand fast to the

principles which have made us a strong Nation. We cannot remain strong, however, by giving away our resources, by destroying our industries through building up foreign competitors, by permitting union corruption and bad labor-management relations, or by weakening our free enterprise system with socialistic legislation.

I believe that we can continue to sell \$20 billion worth of American goods abroad each year, and that we can do it without giving our foreign customers the money with which to buy. We can do it by making a better product.

Finally, I believe this fervently -- and this is the thought with which I will leave you:

There is no better way in which America can remain the symbol of freedom in our world, than by continuing to serve as the example of how a free economic system can bring prosperity to all of its people. The best way to combat the Communist system is to prove, beyond a doubt, that the free enterprise system offers greater rewards -- in domestic tranquillity, in economic welfare, and in spiritual satisfaction.

I want to again thank you for this opportunity to address the members of this fine organization, who are devoted and dedicated to the principles of Americanism and our great free enterprise system.

THE END

SOUTHERN TEXTILE MILLS (OTHER THAN HOSIERY)

LIQUIDATED 1953-1958

<u>Company and Location</u>	<u>Date of Liquidation</u>	<u>Product</u>	<u>Emp.</u>
1. Samarkand Mills Rock Hill	Mar. 1953	Rayon carpet yarn & rayon rugs	200
2. Paola Mfg. Co. (Hamrick Interests) Gaffney	Dec. 1953	Narrow cotton sheetings	300
3. Fairmont Mills, Inc. Spartanburg (Fairmont)	Dec. 1953	Cotton print cloths	200
4. Superba Mfg. Co. (Horvath Interests) Greenville	July 1954	Cotton Towels	60
5. Broad River Mills (Hamrick Interests) Blacksburg	Sept. 1955	Cotton sheetings	250
6. Linda Cotton Mills Cowpens	Mar. 1956	Cotton yarns & fabrics	250
7. Camperdown Co. Inc. Greenville ⁸	June 1956	Coarse colored cotton goods	275
8. Russell Mfg. Co., Bennettsville	Mid 1956	Tapes Est.	75
9. Darlington Mfg. Co., Darlington (Deering Milliken)	Dec. 1956	Cotton Fabs.	500
10. La France Industries, Anderson	Mid 1957	Auto fabrics	200
11. Pacolet Mfg. Co., (Deering Milliken), Mill #3, Pacolet	End 1957	Cotton fabrics	550
12. Abbot Worsted Co., Seneca	End 1957	Worsted yarn	250
13. Kent Mfg. Co., Edenfield Mills, Leesville	Jan. 1958	Worsted yarn	50

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<u>Company and Location</u>	<u>Date of Liquidation</u>	<u>Product</u>	<u>Emp.</u>
14. Victoria Mills, Rock Hill	June 1958	Cotton fabrics	300
15. Abney Mills, Gossett Fin. Plant, Anderson	Aug. 1958	Dye & Finish	100
16. Neely Mfg. Co., York	Fall 1958	Cotton & thrown Synthetic yarn	200
TOTAL MILLS 16			<hr/> 3760